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SUBJECT: MFA MEETING ON BILATERAL DIALOGUE WITH ECUADOR

¶1. (SBU) Summary: USG and Ecuadorian officials met July 18 to discuss potential agenda items for a Bilateral Dialogue between Ecuador and the United States. The Dialogue would address issues of interest to both sides, proposing information exchange, cooperation, and technical assistance in areas such as the financial sector, customs, SPS, sustainable development, combating narcotrafficking and money laundering, trafficking in persons, and consular notification, among others. In many of these areas, excellent cooperation already exists between the USG and GOE. The proposed dialogue facilitates frank discussion of our investment and SPS issues with the Foreign Ministry and creates a new mechanism for promoting our interests, and Post looks forward to developing it further. This cable reports on both the meeting and current USG efforts on proposed agenda items. End Summary.

¶2. (U) On July 18, WHA/EPSC Director Matt Rooney and Embassy officials met with MFA officials to discuss an Ecuadorian agenda proposal for a bilateral policy dialogue between the U.S. and Ecuador. The concept of the dialogue, which originated in a conversation between Deputy Secretary Negroponte and Ecuadorian President Correa in May 2007, is to serve as a forum to address issues of interest to both sides and to highlight the value to Ecuador of positive engagement with the U.S. Ecuadorian Under Secretaries for Bilateral Relations, Economic and Commercial Affairs, and Consular Services participated in the meeting, along with members of their staff.

¶3. (U) The meeting was productive and its tone positive. The Ecuadorians were clearly well-prepared, were able to explain agenda items proposed by other ministries, and were knowledgeable about much of the cooperation between our two governments. They emphasized their desire for dialogue. Both sides agreed that we already have excellent cooperation in a number of areas and that the dialogue should build on, but also emphasize, the breadth and range of our cooperation.

¶4. (U) The group addressed items in the draft agenda in order, going over each of the four pillars of the agenda: I) Measures to Promote Human Development and Poverty Reduction, II) Facilitation of Trade and Investment, III) Cooperation and Technical Assistance, and IV) Immigration Issues.

¶15. (U) Much of this pillar focused on support for Plan Ecuador (Ecuador's development plan for the Northern Border region), Ecuador's National Development Plan, and small and medium sized enterprises (SMEs). Ecuador and the U.S. (largely USAID and USDA) have solid cooperation in these areas and much of the assistance is to SMEs. USDA's Foreign Agricultural Service (FAS) provided over \$1.2 million in assistance to the Northern Border provinces for various agricultural projects from 2000 to 2007, benefiting over 8,400 people in the area. USAID has three programs that support Ecuador's Development Plan, and other programs that directly support three out of five components of Plan Ecuador - territorial development (including infrastructure); solidarity economy (job generating and income increasing productive activities); and strengthening of local government. The Ecuadorian side, clearly aware of many of these programs, thanked USAID for their work in these areas, while recalling that our bilateral assistance has been sharply cut over the past five years and expressing the hope that it might be restored.

¶16. (U) In support of the Northern Border and Plan Ecuador goals, USAID trained 1,000 farmers on agricultural and post-harvest best practices and modern techniques in FY 2007 and created 5,676 new jobs. Cacao yields increased from 3 to 18 100-pound bags per hectare, and coffee yields jumped from 2 to 12 100-pound bags per hectare. Productivity increases and product quality improvements, plus efforts to link farmers to end-markets have contributed to increasing family incomes by 51% in just one year. Participant farmers now export nearly 100% of their cacao, coffee, and broccoli.

In FY 2007, USAID also supported programs to strengthen 23 municipal governments, and in five of these cities, municipal tax revenues increased 68% in just one year. Finally, USAID financed the construction of 14 bridges, 20 water systems, and 9 sewerage systems benefiting over 50,000 people.

¶17. (U) USDA/FAS in Ecuador funded a Food for Progress project from 2004 to 2007 that conducted over 700 farmer field schools and trained approximately 18,500 farmers in integrated crop management. The program also created 47 farmer associations and provided support for cocoa quality and post harvest equipment. The project promoted linkages between farmer's associations and national and international cocoa buyers to shorten the marketing chain and increase farmer incomes.

¶18. (U) For SMEs, in 2008 and 2009 USAID is developing integrated value chains in at least 17 provinces of the country where more than 6,000 permanent jobs will be created in the next 2 years, through support to small producers. USAID's Credit Guarantee Program will generate \$13 million in loans benefiting 2,000 small producers in FY 2008 and 2009. USDA's PL 480 food aid program provided micro-loans to 200 dairy and cheese producers from dairy associations in Ecuador. These micro loans were used to buy dairy cattle to improve herds in Carchi, with a project investment of \$210,000. The Department of Commerce's Foreign Commercial Service (FCS) promotes and facilitates the attendance of SMEs to DOC trade shows in the U.S. From 2007 to June 2008, more than 609 Ecuadorian entrepreneurs traveled to trade shows in the U.S. promoted by FCS.

¶19. (U) The Ecuadorians raised ATPA extension as key for human development and poverty reduction. The U.S. side stressed that ATPA renewal is a decision of Congress, and as such the executive branch of the USG is not able to address it. The Ecuadorians also indicated their interest in learning how the U.S. Small Business Administration (SBA), operates and noted an SBA program with Mexico that they might be interested in emulating. (Note: According to the GOE, the current second in command of the SBA is Ecuadorian-American).

¶10. (U) The Ecuadorians were also interested in learning about other facets of the U.S. financial system. Specifically, they asked us to provide them with information about the strengths and weaknesses of implementing the Community Reinvestment Act (where U.S. banks are expected to reinvest in reviving inner city neighborhoods), creating sustainable municipal finance programs, facilitating remittances and their investment in productive activities, and sharing our experience with Social Security and

financial regulators like Fannie Mae and Freddie Mac. They also cited a U.S. program with Mexico collaborating with the Fed for remittances transfers as a potential area for information exchange, and interest in cooperation between the SEC and the Ecuadorian stock market.

Facilitation of Trade and Investment

¶11. (U) The Ecuadorians raised areas where they felt they could benefit from information exchange and technical assistance to improve competitiveness and facilitate trade, their key requests in this section. They noted that they want a law on competition policy and have been working on a draft, but are facing technical problems.

The U.S. side explained that USAID has provided assistance on drafting a law in the past and is willing to help again (note: USAID could bring Andean experts to discuss the Colombian and Peruvian experiences applying competition policy). USAID is also helping to improve competitiveness in Ecuador by supporting the creation of business opportunities through twelve productive clusters including leather goods, Panama hats, dairy products, cocoa, apparel, horticulture, and eco-tourism. The projects provide support in reaching new markets and developing export capacities. In addition, USAID is supporting the creation of private sector councils in different provinces to promote national consensus on pro-market policies and at the central government level, creation of a national investment promotion agency and a national sectoral development agency. Organic production is another competitiveness topic in this section; USAID plans to provide assistance to cacao and coffee farmers in order to obtain organic certifications. Similar assistance will be provided to tourism operators to obtain sustainable management certification.

¶12. (U) The Ecuadorians flagged the U.S. requirement for 100% container scanning as a challenge and requested technical assistance and possibly a need for additional time to comply. The U.S. side noted that some assistance could be available. The Ecuadorians would also like to improve their customs services, and mentioned a number of areas where technical assistance could help, including fighting contraband. We expressed our desire to cooperate with them in these areas. Department of Homeland Security (DHS)'s Customs and Border Protection advisors assist and train Ecuadorian anti-narcotics police in drug interdiction at land borders, international airports and seaports. They also provide support and training to Ecuadorian Customs on contraband interdiction. DHS's Immigration and Customs Enforcement Office (ICE) is working to establish a Trade Transparency Unit (TTU) with Ecuadorian Customs. The TTU will modernize their established information systems, in regards to US imports and exports, and assist them in their fight against customs corruption/transparency.

¶13. (U) The U.S. and Ecuador have significant cooperation on many SPS issues. We mentioned access to the Ecuadorian market for U.S. beef as an important SPS interest on the U.S. side. U.S. beef is denied entry to Ecuador due to restrictions implemented in 2001 as a result of a U.S. outbreak of mad cow disease. However, in 2007 the International Organization for Animal Health declared the U.S. a low risk country. The Ecuadorians agreed to investigate the issue further. USDA's Animal and Plant Health Inspection Service (APHIS) works with the GOE on a number of pre-clearance programs that ensure Ecuadorian agricultural products are safe to enter the U.S.; one example is mangoes. The GOE expressed its strong desire to improve its official sanitary system (SESA). USDA is assisting with restructuring Ecuador's SPS system, providing direct assistance to the GOE and the Coordinating Ministry for Production to find solutions to management issues within Ecuador's current sanitary system. USDA also supports the Foot and Mouth Disease Eradication Program in Ecuador, providing support since 2000 for supplying vaccination equipment, publicity, and training for producers and vaccinators, among others.

¶14. (U) The group discussed expansion of air transportation as another possible area of cooperation (U.S. carriers would like better routes and a more stable flight regime). The Ecuadorians cited technical issues, but agreed limited expansion might be possible.

¶15. (SBU) Regarding investment, the U.S. side signaled concern with

investment disputes between U.S. companies and the GOE. We stressed that the key was for the GOE to follow investment-friendly policies that would prompt major U.S. interests like Chevron, Oxy and others to reconsider their approach to key Washington decisionmakers regarding their disputes.

Cooperation and Technical Assistance

¶16. (U) In discussing sustainable development, the Ecuadorians noted their need to retain discussion of their Yasuni Model, whereby the international community would compensate Ecuador for refraining from producing oil in the environmentally sensitive ITT fields, as an agenda point, even though they understand the U.S. is unlikely to participate. The Ecuadorians explained that clean development included biofuels, an area that is getting new focus and is part of the GOE's 10 "star sectors" targeted for investment and development this year.

¶17. (U) The Ecuadorians offered the USG participants a summary of the GOE's 10 strategic sectors for development. Since USAID consultants had developed this strategy for them, it was comforting to see the sense of ownership that the GOE showed in echoing this back to us. Both sides highlighted their interest in working together in this sector.

¶18. (U) In other areas related to sustainable development, USAID provides extensive support to Ecuador. Its programs provide assistance for the Waorani and Kichua Indigenous communities to control their territories, to preserve natural resources and to maintain their cultures. USAID's Watershed Management Program preserves watersheds in selected areas and conserves biodiversity. The Ecuadorian Sustainable Tourism Alliance works with the tourism industry in order to develop sustainable tourism value chains, and USAID's Parks Recovery program seeks to repair the physical infrastructure and environmental quality of selected parks and protected areas.

¶19. (U) The lead GOE interlocutor, Amb. Carlos Jativa, stated his interest in exploring other types of development assistance that the U.S. could offer. The Ecuadorians would like to learn more about how Ecuador could qualify for MCC (the Millenium Challenge Corporation) support, noting that the current government has a strong record on combating corruption. They also reiterated their interest in TFCA (Tropical Forests Conservation Act) debt relief, although they appear to understand the program and the barriers to their benefiting from it. They also expressed interest in learning more about seized asset funds (from property owned by drug lords) and whether the proceeds from the sale in the U.S. of these seized assets could be shared with Ecuador to fight narcotrafficking and for development.

¶20. (U) They also want to add risk management for natural disasters as an area of cooperation. USAID has already been implementing long standing programs that deal not only with risk management, but disaster preparation, preparedness and response. In the first six months of 2008, the USG, principally through USAID and MILGROUP, provided over \$1 million in assistance to flood victims.

¶21. (U) Cooperation in the judicial area (including extradition), money laundering, and in fighting narcotrafficking is excellent. The USG facilitates communication between the Ecuadorians and the U.S. Department of Justice in extradition cases, and provided important assistance in the Isaias Brothers case. USAID contributed to a larger effort by authorities in the Ecuadorian city of Cuenca to ensure that prisoners are not incarcerated without being sentenced. In November 2007, the Ecuadorian Supreme Court decided to adopt Cuenca's successful pre-trial approach nationwide. USAID also promoted public defense for the most vulnerable groups in Ecuador. In FY 2007, 1,463 indigent persons, including poor women, received legal defense services and another 1,623 were provided legal counsel in eight cities. In FY 2007, the GOE selected four of these USAID supported legal clinics to provide public defense services under a new initiative to provide legal services to prisoners.

¶22. (U) The Embassy's Narcotics Affairs Section (NAS), part of the State Department, also works to strengthen Ecuador's institutional

capacity to control drug trafficking through police and judicial training, training on money laundering, and assistance with border and coastal control. NAS works with the Ecuadorian police, military and judiciary to combat narcotrafficking, providing assistance of more than \$8M in 2007. NAS also provides equipment and technical assistance to Ecuador's Financial Intelligence Unit to effectively identify suspicious financial transactions, and supports training and security upgrades for the Fiscalía's money laundering office so that it will be able to effectively prosecute money laundering cases. DHS officers provide training on detecting and interdicting bulk cash smuggling to the GOE.

123. (U) The USG also provides intellectual property rights (IPR) training through the U.S. Patent and Trademark Office to Ecuadorian IPR and customs officials, and prosecutors. Over 15 participants attended these training programs in 2008. USAID's Andean Regional Trade Capacity Building Program helps strengthen the Ecuadorian Intellectual Property Rights Institute (IEPI) by assisting to digitalize all files and map the different processes and functions for more efficient operations.

Immigration Issues

124. (U) Immigration is an important issue for the Ecuadorians given President Correa's strong interest in the topic, and migration is part of the Association Agreement the Andean countries are negotiating with the EU. However, the U.S. side emphasized that a number of immigration issues are problematic for us (just as they are for the EU). The Ecuadorians expressed interest in information exchange, and in learning more about consular notification. DHS officers are working with the GOE to establish an Electronic Travel Document System that would allow for a shorter detention period for Ecuadorian Nationals detained by U.S. Customs. The State Department's Bureau of Consular Affairs is developing activities to raise awareness of consular notification and access to federal, state, and local law enforcement, and corrections and criminal justice officials, through distribution of over 1,000,000 pieces of consular notification and access instructional material to these agencies, and publication of several articles on consular notification and access.

125. (U) The Ecuadorians would also like to work on promoting the developmental impact of remittances. The U.S. side noted that this goal was among the benchmarks agreed at the 2004 Special Summit of the Americas and described the remittance programs at the community level that the United States had undertaken. USAID has partnered with the World Council of Credit Unions to facilitate remittance transfers among credit unions. Its programs promoted remittances in New York and New Jersey and implemented remittances services from Spain and Italy. USAID programs facilitated the transfer of nearly 70,000 remittances totaling \$24 million in the period 2006-2007.

126. (U) On trafficking in persons (TIP), there is already excellent cooperation between the U.S. and Ecuador, and USAID has a number of projects in this area. USAID provided assistance to the Ministry of Government for the implementation of Ecuador's National Plan to Combat TIP. In FY 2007, USAID supported the alliance of 32 civil society organizations in the city of Cuenca to develop an Action Plan to combat trafficking, and supported a similar development in the Amazon province of Napo, among other programs. DHS/ICE works with the GOE on TIP cases, as well as providing equipment and training to DINAPEN (the Administration for the Protection of Adolescents and Children). The State Department's G/TIP office has also provided assistance, most recently to a program to assist victims in Chimborazo Province. All of this support has helped Ecuador move from Tier 3 to Tier 2 of the State Department TIP Report in 2007 and stay there in 2008.

Next Steps

127. (U) The U.S. side agreed to send back a counter-proposal to the GOE, based on the discussion in the meeting. Following that, both sides would like to launch the dialogue formally in October, if possible.

Comment

¶28. (SBU) It became clear during the course of the conversation that the GOE proposal was driven by a desire to help us highlight the positive value of our bilateral relationship with Ecuador. Speaking informally over lunch, Ambassador Jativa told us that they understood they had a "credibility" problem in Washington and intended to mount a concerted effort to overcome it. They clearly see the proposed dialogue as an element in this strategy. The dialogue creates a mechanism for the GOE to demonstrate to the Ecuadorian public the value of our bilateral cooperation, in spite of Correa's rhetoric. The obvious, tangible benefits of our relationship with the GOE will be highlighted, in contrast to its relationships with some less constructive partners. Finally, the dialogue's positive atmosphere facilitates frank discussion of our investment and SPS issues with the Foreign Ministry and creates a new mechanism for promoting our interests; Post looks forward to developing the dialogue initiative further.

GRIFFITHS